

Knowledge and Skills for Enterprise Transformation.



# Enterprise Transformation

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# Overview

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- Theory of Transformation
  - Definition of Transformation
  - Elements of Theory
- Ends, Means & Scope of Transformation
  - Framework & Examples
  - Value Deficiencies
  - Work Processes
- Summary

# Theory of Transformation

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- Definition of Enterprise Transformation
- Elements of Theory
  - Value Deficiencies Drive Transformation
  - Work Processes Enable Transformation
  - Allocation of Attention & Resources
  - Management Decision Making
  - Social Networks

# Definition

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Enterprise transformation is driven by experienced and/or anticipated **value deficiencies** that result in significantly redesigned and/or new **work processes** as determined by management's **decision making** abilities, limitations, and inclinations, all in the context of the **social networks** of management in particular, and the enterprise in general.

# Value Deficiencies Drive Transformation

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- Experienced or expected downside losses of value, e.g., declining enterprise revenues and/or profits
- Experienced or expected failures to meet projected or promised upside gains of value, e.g., failures to achieve anticipated enterprise growth
- Desires to achieve new levels of value, e.g., via exploitation of market and/or technological opportunities

# Work Processes Enable Transformation

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- Improve how work is currently performed, e.g., reduce variability
- Perform current work differently, e.g., web-enable customer service
- Perform different work, e.g., outsource manufacturing and focus on service

# Allocation of Attention & Resources

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- Anticipate and adapt to changes of external variables, i.e., control the enterprise relative to the “road ahead” rather than the road behind
- Cultivate and allocate resources so as to yield future enterprise states with high projected value with acceptable uncertainties and risks

# Management Decision Making

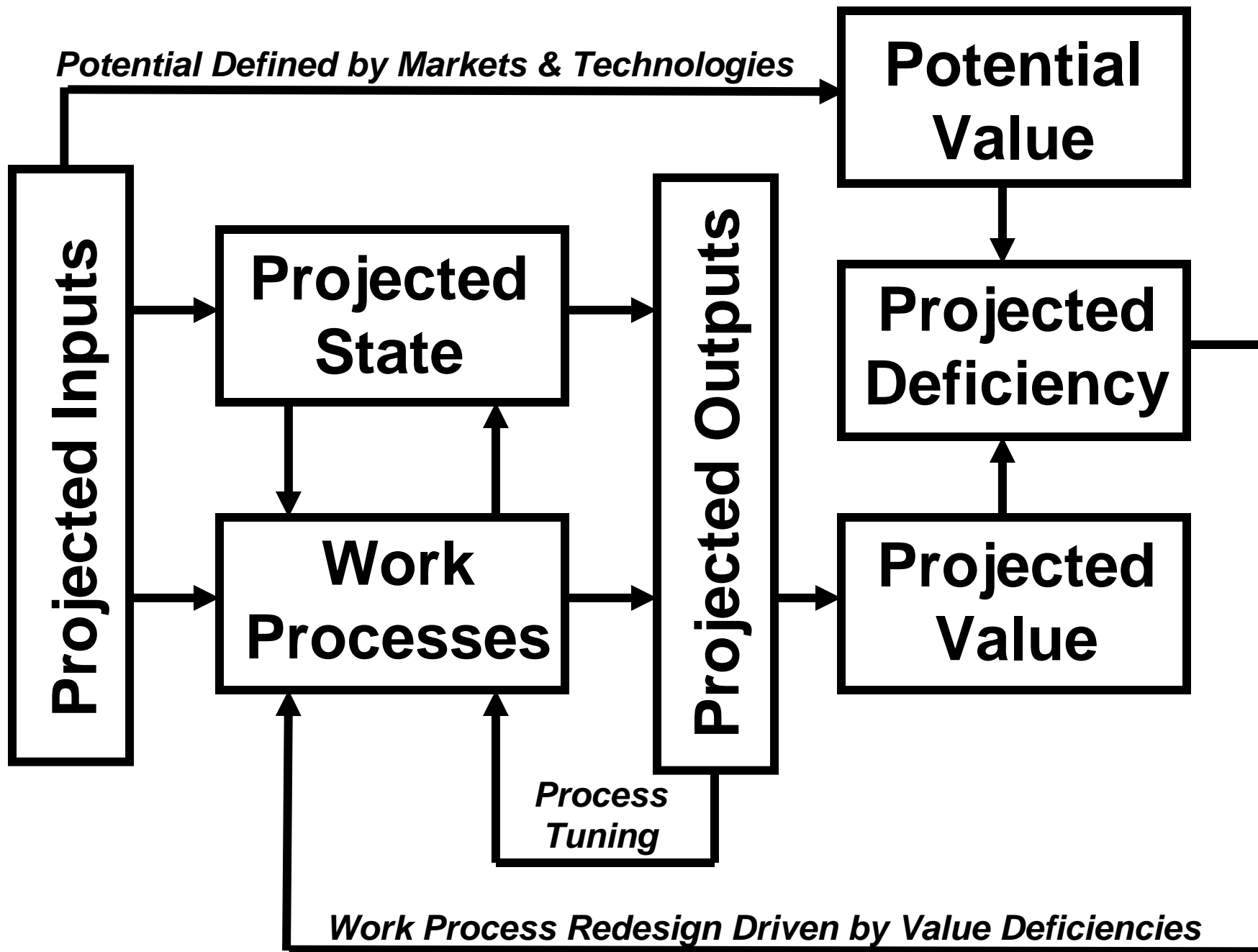
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- Phenomena
  - Folklore and fact of managers' jobs (Mintzberg)
  - Optimizing vs. Satisficing (Simon)
  - Organizational Delusions (Rouse)
  - Role of Intuition (Klein)
- Frameworks
  - How managers address change, ranging from tuning, to adaptation, to reorientation, to re-creation (Nadler & Tushman)
  - Managers' modes of control, ranging from scrambled, to opportunistic, to tactical, to strategic (Hollnagel)

# Social Networks

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- Strong vs. Weak Networks (Burt, Granovetter)
  - Strongly connected networks result in rapid and efficient information and knowledge sharing among members
  - Weakly connected networks have “holes,” in many cases between strongly connected subnetworks
- Implications for Transformation
  - Weakly connected networks are better sources of new information and novel ideas
  - Strongly connected networks are better at implementing change once sense has been made of them

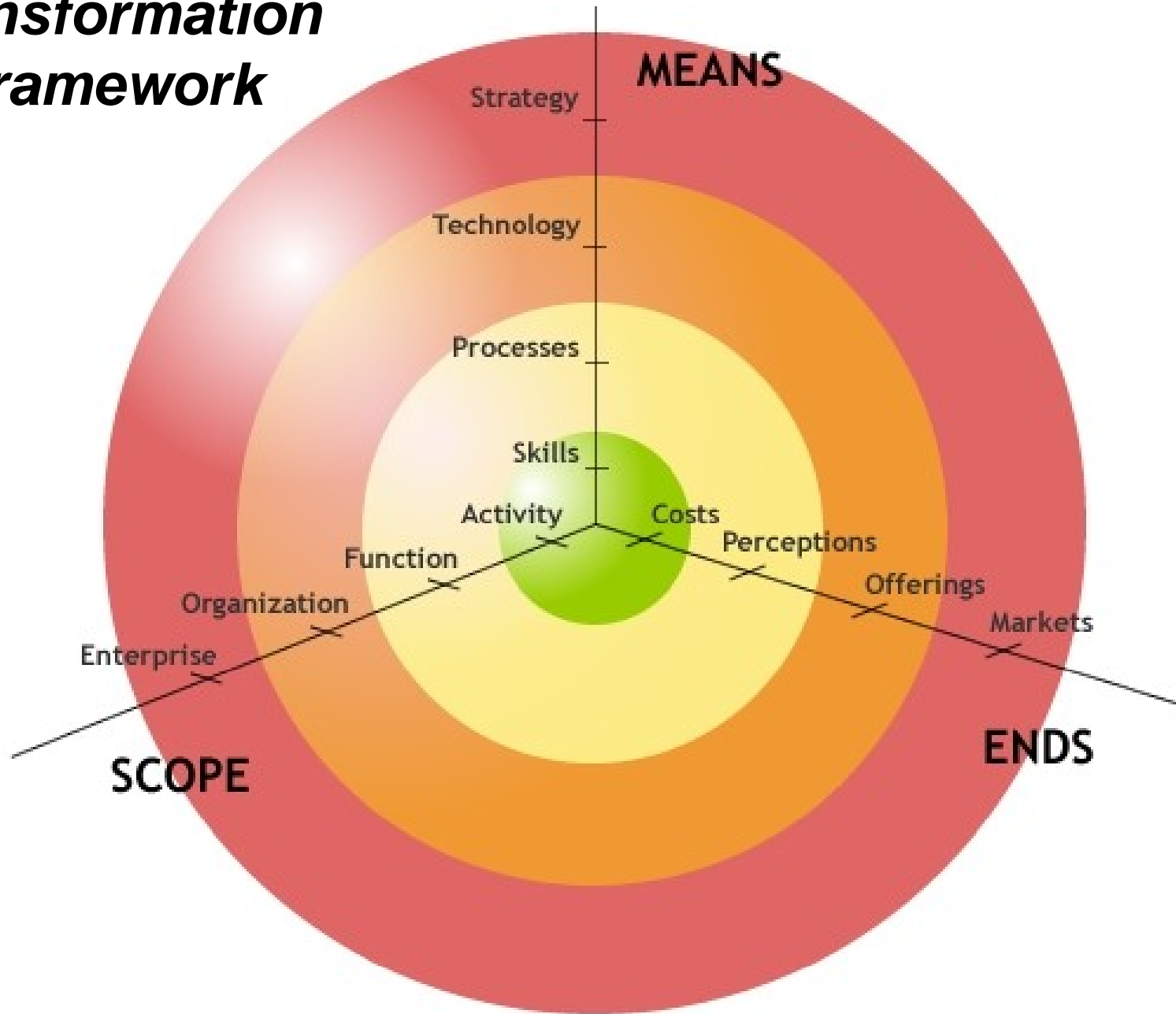


# Ends, Means & Scope

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- Transformation Framework
- Examples of Transformation
- Value Deficiencies Drive Transformation
- Work Processes Enable Transformation

# *Transformation Framework*



# Value Deficiencies Drive Transformation

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- Value Opportunities: The lure of greater success via market and/or technology opportunities prompts transformation initiatives
- Value Threats: The danger of anticipated failure due to market and/or technology threats prompts transformation initiatives
- Value Competition: Other players' transformation initiatives prompt recognition that transformation is necessary to continued success
- Value Crises: Steadily declining market performance, cash flow problems, etc. prompt recognition that transformation is necessary to survive

# Work Processes Enable Transformation

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- Markets Targeted, e.g., pursuing global markets such as emerging markets, or pursuing vertical markets such as aerospace and defense
- Market Channels Employed, e.g., adding web-based sales of products and services such as automobiles, consumer electronics, and computers
- Value Proposition, e.g., moving from selling unbundled products and services to providing integrated solutions for information technology management
- Offerings Provided, e.g., changing the products and services provided, perhaps by private labeling of outsourced products and focusing on support services

# Work Processes Enable Transformation

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- Supply Chain Restructuring, e.g., simplifying supply chains, negotiating just-in-time relationships, developing collaborative information systems
- Outsourcing & Offshoring, e.g., contracting out manufacturing, information technology support; employing low-wage, high-skill labor from other countries
- Process Standardization, e.g., enterprise-wide standardization of processes for product and process development, R&D, finance, personnel, etc.
- Process Reengineering, e.g., identification, design, and deployment of value-driven processes; identification and elimination of non-value creating activities
- Web-Enabled Processes, e.g., online, self-support systems for customer relationship management, inventory management, etc.

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